

1 **ARIZONA DEPARTMENT OF FINANCIAL INSTITUTIONS**

2 In the Matter of the Escrow Agent License of:

No. 09F-BD027-SBD

3 **SUNSET ONE ESCROW, INC., AND**
4 **AARON G. LLOYD, PRESIDENT**
8430 Santa Monica Blvd., Suite 205
West Hollywood, CA 90069

CONSENT ORDER

5 Respondents.

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7 On, October 7, 2008, the Arizona Department of Financial Institutions ("Department") issued
8 an Order to Cease and Desist; Notice of Opportunity For Hearing; Consent to Entry of Order
9 alleging that Respondents had violated Arizona law. Wishing to resolve this matter in lieu of an
10 administrative hearing and without admitting liability, Respondents consent to the following
11 Findings of Fact and Conclusions of Law, and consent to the entry of the following Order.
12

13 **FINDINGS OF FACT**

14 1. Respondent Sunset One Escrow, Inc. ("Sunset One") is a California corporation authorized to
15 transact business in Arizona as an escrow agent, license number EA-908828, within the meaning of
16 A.R.S. §§ 6-801, *et seq.* The nature of Sunset One's business is that of an escrow agent within the
17 meaning of A.R.S. § 6-801(5).

18 2. Respondent Aaron G. Lloyd ("Mr. Lloyd") is the President of Sunset One, and, as such, is
19 authorized to transact business in Arizona as an escrow agent, within the meaning of A.R.S. §§ 6-
20 801, *et seq.*

21 3. On May 6, 2008, the Department conducted an examination of Sunset One's business affairs.
22 As a result of the examination, a report was prepared ("Report of Examination") which revealed that
23 Sunset One and Mr. Lloyd:

24 a. Failed to properly label an escrow trust account; specifically:

25 i. Respondents failed to adequately label Meridan Bank wire account number
26 xxxxxx0225, which contained Arizona escrow transactions and balances to

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- 1 indicate that the funds were fiduciary funds and not corporate funds of the
2 escrow agent;
- 3 b. Failed to adequately follow-up on stale dated, inactive escrow account balances aged
4 greater than six (6) months; specifically:
- 5 i. The escrow trial balance listings for Meridian Bank account number
6 xxxxxx0230, as of April 30, 2008, revealed one (1) inactive, stale-dated
7 escrow account balance in the amount of one hundred dollars (\$100.00), aged
8 in excess of one hundred eighty (180) days;
- 9 c. Failed to demonstrate adequate follow-up procedures on stale-dated outstanding
10 checks aged greater than six (6) months; specifically:
- 11 i. Respondents did not adequately follow up on outstanding checks aged greater
12 than six (6) months; specifically:
- 13 1. Meridian Bank account number xxxxxx0230, had five (5) outstanding
14 checks, with an aggregate amount of two thousand, five hundred sixty-
15 eight dollars (\$2,568.00);
- 16 d. Failed to adequately provide certification of fiduciary account reconciliations;
17 specifically:
- 18 i. Respondents' reconciliation worksheets for Meridian Bank account number
19 xxxxxx0230 did not include the reviewer's signature/initials, and date the
20 worksheet document was reviewed and certified by the reviewer; and
- 21 ii. In addition, the preparer is an employee of an Unlicensed Escrow Agent, and
22 not an employee of Sunset One;
- 23 e. Failed to provide each depositing buyer or seller, within three (3) business days after
24 receipt of deposited monies, adequate notice of their right to earn interest on all
25 monies deposited into the escrow; specifically:
- 26

- 1 i. Respondents failed to provide and document the disclosure to the depositing
2 escrow parties, of a complete and adequate notice of their right to earn interest
3 on all monies deposited in the following escrows:
- 4 1. 07-08-10095, and
5 2. 07-10-10530;
- 6 f. Failed to adopt and maintain internal control structure; specifically:
- 7 i. Respondents failed to maintain certain internal control procedures to ensure
8 that persons employed by or associated with the Sunset One's business did not
9 make significant errors or perpetuate significant irregularities or fraud without
10 timely detection;
- 11 ii. The Unlicensed Escrow Agent received escrow property in the form of escrow
12 funds and escrow documents, and Respondent, Mr. Lloyd stated that Sunset
13 One and the Unlicensed Escrow Agent are separate and distinct entities;
- 14 iii. A review of employee files disclosed that most of Sunset One's personnel
15 records were either certified by an employee of the Unlicensed Escrow Agent
16 or the employee indicates that they are employed by the Unlicensed Escrow
17 Agent. Payroll information furnished by Mr. Lloyd shows that the personnel
18 are paid by Sunset One;
- 19 iv. The employee performing the Human Resources function, along with being
20 responsible for the Sunset One fiduciary account reconciliations, is an
21 Unlicensed Escrow Agent employee;
- 22 v. Escrow funds are often initially deposited with the Unlicensed Escrow Agent.
23 Incoming wires for loan proceeds are often wired into an Unlicensed Escrow
24 Agent bank account; the funds are then transferred to a Sunset One bank
25 account. Earnest money deposits are also made payable to the Unlicensed
26 Escrow Agent and then endorsed over to

- 1 Sunset One by the person responsible for the accounting. In this case, the
2 responsible person is an employee of the Unlicensed Escrow Agent;
- 3 vi. Sunset One operates from the licensed location. The employee business cards
4 are for the Unlicensed Escrow Agent, as are all of the employee e-mail
5 addresses. The wiring instructions found on the Unlicensed Escrow Agent's
6 web page has both companies named along with the Sunset One wire bank
7 account number, implying that the account is for both entities. Company
8 information, shown on paperwork located in the escrow files, lists the same
9 address and phone number for both companies;
- 10 vii. The branch applications for both Arizona escrow branches list the Unlicensed
11 Escrow Agent, as the owner, and Aaron Lloyd, as the owner of Sunset One
12 Escrow as Designated Branch Manager. The Unlicensed Escrow Agent is not
13 an employee of Sunset One; and
- 14 viii. On July 25, 2008, the Examiners returned to the Sunset One Escrow/
15 Unlicensed Escrow Agent location to review additional files. The file review
16 disclosed:
- 17 1. Multiple instances of escrow functions being handled by parties
18 contracted to work for the Unlicensed Escrow Agent. The escrow
19 functions include:
- 20 a. Preparation of HUD-1 Settlement Statements,
21 b. Receipt of loan documents, and
22 c. Continued contact with lending personnel and other parties to the
23 transaction throughout the transaction, preparation of internal escrow
24 documents and the receipt/disbursement of escrow funds;
- 25
26

- 1 g. Failed to disclose to the buyers and sellers of a residential dwelling that the title
2 insurance underwriter may offer a closing protection letter that provides protection
3 for loss of escrow monies due to fraud or dishonesty of the escrow agent; specifically:
- 4 i. Respondents failed to provide escrow parties an adequate disclosure of the
5 availability of a closing protection letter from the underwriter; and
6 ii. Sunset One's escrow files failed to document the disclosure of the availability
7 of closing protection letters from the underwriters, or copies of closing
8 protection letters provided to all escrow parties, as required by law on the
9 following escrow files:
- 10 1. 07-08-10095, and
11 2. 07-10-10530;
- 12 h. Failed to disclose to the buyer and seller of a residential dwelling, not later than three
13 (3) business days after receipt of any funds, that monies deposited into an escrow
14 account are not insured against loss from fraud or theft, by this State or the United
15 States Government; specifically:
- 16 i. Respondents failed to provide the escrow depositors a complete and accurate
17 disclosure on the following escrow files:
- 18 1. 07-08-10095,
19 2. 07-08-10127, and
20 3. 07-10-10530;
- 21 i. Failed to properly account for escrow property; specifically:
- 22 i. Respondents charged escrow parties undocumented third-party pass-through
23 costs on the following escrow files:
- 24 1. 07-08-10127, Fee charged \$150.00, Over/ Under Charge \$150.00;
25 2. 07-10-10530, Fee charged \$225.00, Over/ Under Charge \$225.00; and
26 3. 07-10-10693, Fee charged \$400.00, Over/ Under Charge \$400.00;

- 1 j. Failed to maintain reliability of recording of escrow transactions; specifically:
- 2 i. Respondents' escrow files failed to contain documentation indicating the
- 3 recording date in sixteen (16) of the thirty (30) escrow files reviewed; and
- 4 ii. Respondents failed to maintain detailed escrow fee calculation worksheets in
- 5 sufficient detail, to document each escrow officer's calculation of escrow fees
- 6 in twenty-eight (28) of the thirty (30) escrow files reviewed;

7 **CONCLUSIONS OF LAW**

8 1. Pursuant to A.R.S. §§ 6-801, *et seq.*, the Superintendent has the authority and duty to

9 regulate all persons engaged in the escrow agent business and with the enforcement of statutes, rules,

10 and regulations relating to escrow agents.

11 2. By the conduct set forth above, Sunset One Escrow, Inc., and Aaron G. Lloyd

12 violated the following:

- 13 a. A.R.S. §§ 6-834(A), 6-831, 6-841(B); A.A.C. R20-4-702 and A.A.C. R20-4-703, by
- 14 failing to properly label an escrow trust account;
- 15 b. A.R.S. §§ 6-834(A), 6-831, 6-841(B), A.A.C. R20-4-702 and A.A.C. R20-4-703, by
- 16 failing to adequately follow-up on stale-dated, inactive escrow account balances aged
- 17 great than six (6) months;
- 18 c. A.R.S. §§ 6-834(A), 6-831, 6-841(B), A.A.C. R20-4-702 and A.A.C. R20-4-703, by
- 19 failing to adequately follow-up on stale-dated outstanding checks;
- 20 d. A.R.S. §§ 6-834(A), 6-831, 6-841(B), A.A.C. R20-4-702 and A.A.C. R20-4-703, by
- 21 failing to adequately provide certification of fiduciary account reconcilements;
- 22 e. A.R.S. §§ 6-834(D), A.A.C. R20-4-702, by failing to provide each depositing buyer
- 23 or seller, within three (3) business days after receipt of deposited monies, adequate
- 24 notice of their right to earn interest on all monies deposited into the escrow;
- 25 f. A.R.S. § 6-841(A) and (B), by failing to adopt and maintain internal control structure;
- 26

- 1 g. A.R.S. § 6-841.02(A), by failing to disclose to the buyers and sellers of a residential
2 dwelling that the title insurance underwriter may offer a closing protection letter that
3 provides protection for loss of escrow monies due to fraud or dishonesty of the
4 escrow agent;
- 5 h. A.R.S. § 6-841.03, by failing to disclose to the buyer and seller of a residential
6 dwelling, not later than three (3) business days after receipt of any funds, that monies
7 deposited into an escrow account are not insured against loss from fraud or theft, by
8 the State or the United States Government;
- 9 i. A.R.S. § 6-841, by failing to properly account for escrow property; and
10 j. A.R.S. §§ 6-831(A), and A.A.C. R20-4-702, by failing to maintain reliability of
11 records of recording of escrow transactions.
- 12 3. Respondents have not conducted business in accordance with the law and violated
13 Title 6, Chapter 7 and the rules relating to this chapter, which are grounds for license suspension or
14 revocation pursuant to A.R.S. § 6-817(A)(2).
- 15 4. Respondents failed to account properly for escrow property, which is grounds for
16 license suspension or revocation pursuant to A.R.S. § 6-817(A)(7).
- 17 5. Respondents failed within a reasonable time to produce at least four (4) exam files
18 from different branch locations and failed to maintain adequate escrow file documentation, which is
19 grounds for license suspension or revocation pursuant to A.R.S. § 6-817(A)(8).
- 20 6. Respondents disbursed monies in violation of escrow instructions, which is grounds
21 for license suspension or revocation pursuant to A.R.S. § 6-817(A)(11).
- 22 7. Respondents have failed to maintain an adequate internal control structure, which is
23 grounds for license suspension or revocation pursuant to A.R.S. § 6-817(A)(12).
- 24 8. The violations of applicable laws, set forth above, constitute grounds for: (1) the
25 issuance of an order pursuant to A.R.S. § 6-137 directing Respondents to cease and desist from the
26 violative conduct and to take the appropriate affirmative actions, within a reasonable period of time
prescribed by the Superintendent, to correct the conditions resulting from the unlawful acts,

1 practices, and transactions; (2) the imposition of a civil monetary penalty pursuant to A.R.S. § 6-
2 132; (3) the suspension or revocation of Respondents' license pursuant to A.R.S. § 6-817; and (4) an
3 order or any other remedy necessary or proper for the enforcement of statutes and rules regulating
4 escrow agents pursuant to A.R.S. §§ 6-123 and 6-131.

5 **ORDER**

- 6 1. Sunset One Escrow, Inc., and Mr. Lloyd shall immediately stop the violations set
7 forth in the Findings of Fact and Conclusions of Law. Sunset One Escrow, Inc., and Mr. Lloyd:
- 8 a. Shall promptly produce escrow files upon request;
 - 9 b. Shall maintain all escrow records for at least three years after final
10 disbursement of funds;
 - 11 c. Shall adopt a systematic internal control structure and shall properly
12 account for all escrow property;
 - 13 d. Shall obtain and maintain adequate escrow file documentation and shall
14 properly account for escrow property by properly disbursing escrow
15 funds;
 - 16 e. Shall adopt a systematic internal control structure to ensure that persons
17 employed by or associated with the escrow agent's business do not make
18 significant errors or perpetuate significant irregularities or fraud without
19 timely detection;
 - 20 f. Shall adopt a systematic internal control structure to ensure that written
21 escrow instructions are appropriately complied with;
 - 22 g. Shall adopt a systematic internal control structure to ensure that
23 uncollected funds are not disbursed prematurely;
 - 24 h. Shall adopt a systematic internal control structure to ensure that escrow
25 monies are deposited immediately upon receipt, or as soon thereafter as is
26 reasonably practicable;

- 1 i. Shall file suspicious activity reports with the Attorney General's office;
2 and
3 j. Shall properly label fiduciary checking accounts.


4 2. Sunset One and Mr. Lloyd shall immediately pay to the Department a civil money
5 penalty in the amount of **five thousand dollars (\$5,000.00)**. Sunset One and Mr. Lloyd are jointly
6 and severally liable for payment of the civil money penalty.

7 3. The provisions of this Order shall be binding upon Respondents, their employees,
8 agents and other persons participating in the conduct of the affairs of Respondents.

9 4. This Order shall become effective upon service, and shall remain effective and
10 enforceable until such time as, and except to the extent that, it shall be stayed, modified, terminated,
11 or set aside.

12 SO ORDERED this 3 day of November, 2008.

13 Felecia A. Rotellini
14 Superintendent of Financial Institutions

15 By: 
16 Robert D. Charlton
17 Assistant Superintendent

18 **CONSENT TO ENTRY OF ORDER**

19 1. Respondents acknowledge that they have been served with a copy of the foregoing
20 Findings of Fact, Conclusions of Law, and Order in the above-referenced matter, have read the
21 same, are aware of their right to an administrative hearing in this matter, and have waived the same.

22 2. Respondents admit the jurisdiction of the Superintendent and consent to the entry of
23 the foregoing Findings of Fact, Conclusions of Law, and Order.

24 3. Respondents state that no promise of any kind or nature has been made to induce
25 them to consent to the entry of this Order, and that they have done so voluntarily.
26

1 4. Respondents agree to cease from engaging in the violative conduct set forth above in
2 the Findings of Fact and Conclusions of Law.

3 5. Respondents acknowledge that the acceptance of this Agreement by the
4 Superintendent is solely to settle this matter and does not preclude this Department, any other agency
5 or officer of this state or subdivision thereof from instituting other proceedings as may be
6 appropriate now or in the future.

7 6. Aaron G. Lloyd, President, on behalf of Sunset One Escrow, Inc. and himself,
8 represents that he is the President, and that, as such, has been authorized by Sunset One Escrow Inc.
9 to consent to the entry of this Order on its behalf.

10 7. Respondents waive all rights to seek judicial review or otherwise to challenge or
11 contest the validity of the Consent Order.

12 DATED this 31st day of OCTOBER, 2008.

13
14 By: 

Aaron G. Lloyd, President
Sunset One Escrow, Inc.

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16
17 ORIGINAL of the foregoing filed this 3rd
18 day of November, 2008, in the office of:

19 Felecia A. Rotellini
20 Superintendent of Financial Institutions
21 Arizona Department of Financial Institutions
ATTN: Susan L. Longo
2910 N. 44th Street, Suite 310
Phoenix, AZ 85018

22 COPY mailed/delivered same date to:

23 Craig A. Raby
24 Assistant Attorney General
25 Office of the Attorney General
1275 West Washington
Phoenix, AZ 85007
26

1 Robert D. Charlton, Assistant Superintendent
Richard Carpenter, Senior Examiner
2 Dianna Cox, Senior Examiner
Arizona Department of Financial Institutions
3 2910 N. 44th Street, Suite 310
Phoenix, AZ 85018
4

5 AND COPY MAILED SAME DATE by
Certified Mail, Return Receipt Requested, to:

6 Aaron G. Lloyd, President
7 Sunset One Escrow, Inc.
8430 Santa Monica Blvd. Suite 205
8 West Hollywood, CA 90069
Respondents
9

10 Aaron G. Lloyd
Statutory Agent For:
11 Sunset One Escrow, Inc.
1055 N. Riuler Road #1215
12 Mesa, AZ 85205

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